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**COSMOS IMPERIAL MILLS LIMITED**

*and its wholly owned subsidiary*

**J. SPENCER TURNER CO. LIMITED**

*Thirty-ninth*  
**ANNUAL  
REPORT**

**1964**



# COSMOS IMPERIAL MILLS LIMITED

(Established 1883)

and its wholly owned subsidiary  
J. SPENCER TURNER CO. LIMITED

## 39th ANNUAL REPORT

*including*

REPORT OF DIRECTORS TO THE SHAREHOLDERS  
STATEMENT OF CONSOLIDATED PROFIT AND LOSS  
STATEMENT OF CONSOLIDATED EARNED SURPLUS

and

CONSOLIDATED BALANCE SHEET

Year Ended  
December 31, 1964

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Manufacturers of  
COTTON DUCK and COTTON DRYER FELTS

HEAD OFFICE  
Sherman Avenue North  
HAMILTON, ONTARIO

Mills at  
Cosmos Division: Yarmouth, Nova Scotia  
Imperial Division: Hamilton, Ontario

Selling Agent  
J. SPENCER TURNER CO. LIMITED  
Hamilton, Ontario

**THIRTY-NINTH ANNUAL REPORT  
OF  
BOARD OF DIRECTORS**

**For the Year ended December 31, 1964**

**TO THE SHAREHOLDERS:**

Your Directors submit herewith their thirty-ninth annual report and statement outlining the position of your Company as at December 31, 1964.

**BUSINESS CONDITIONS:**

The year under review was notable in two respects. Volume of sales reached the highest level experienced during the last eleven years, which required the operation of our productive facilities at close to full capacity. A decision was also reached to embark on an extensive modernization programme for our Yarmouth mill. While this is necessary in order to maintain our competitive position, it reflects your management's confident view that satisfactory demand for the Company's products will continue for the foreseeable future.

**INVESTMENT IN OTHER COMPANIES:**

North America Business Equipment Limited, of whose equity we own 33 $\frac{1}{3}$ %, continues to grow in total lease business outstanding, and in its profit performance.

Technical Animations Inc., in which we have only a nominal investment, still has an intriguing potential in its specialized field. We have acquired options on further shares as additional consideration for temporary financial assistance provided during the year.

**FINANCIAL:**

After providing for all expenses including depreciation, and for taxes on income, the net profit for the year amounted to \$435,571 (as compared with \$366,395 in 1963).



Working capital at the year end amounted to \$2,982,563 which is an increase of \$971,940 over the previous year end. This gain largely arises from the proceeds of the sale of certain fixed assets leased back under an agreement concluded late in December. The major part of these proceeds will be used to pay for new equipment which will be installed in the early part of 1965.

This lease-back agreement, referred to in more detail in the notes to the current balance sheet, appears to be a wise way to finance our current capital programme without further borrowing.

Regular quarterly dividends of 17½ cents per share were maintained during the year together with an extra dividend of 10 cents a share paid in the first quarter. On December 17th, 1964 the Directors declared the first quarterly dividend of 1965 at the same rate, together with an extra dividend of 10 cents per share. This declaration is reflected in the financial statements for 1964.

### **MILLS:**

During recent years there has been important progress made in textile technology. New high speed equipment is now available, which provides a better product and reduces mill costs. Efficiencies such as these assist in meeting higher labour and raw material costs.

The plant modernization programme which we have undertaken will bring our drawing, roving and spinning operation into line with the new and efficient weaving machines which had been previously installed. This programme is already under way and it is hoped to be fully operating by mid-year.

The economy of providing better yarns for our high speed weaving equipment is already apparent and should be reflected in future operating results.

### **PERSONNEL:**

On June 1st, 1964, a new labour contract was negotiated for a period of two years. Under our Employee Pension and Retirement Fund Agreement, the Company contributed \$93,286 for the year. This, together with employee contributions and interest earned, increased the Fund by \$150,502 and it now stands at \$1,696,233.

Once again it is a privilege for your Directors to express their gratitude and appreciation to the employees who have contributed so materially to a successful year.

By Order of the Board,  
ALAN V. YOUNG,  
President.

March 15, 1965.

# **COSMOS IMPERIAL MILLS LIMITED**

and its wholly owned Subsidiary

**J. SPENCER TURNER CO. LIMITED**

## **AUDITORS' REPORT**

To the Shareholders of Comos Imperial Mills Limited:

We have examined the consolidated balance sheet of Cosmos Imperial Mills Limited and its wholly-owned subsidiary, J. Spencer Turner Co. Limited, as at December 31, 1964 and the statement of consolidated profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying balance sheet and statement of consolidated profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies at December 31, 1964 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the accompanying financial statements, presents fairly the sources and application of funds of the companies for the year ended December 31, 1964.

**CLARKSON, GORDON & CO.,**  
Chartered Accountants.

Hamilton, Canada,  
February 15, 1965.

# COSMOS IMPERIAL MILLS LIMITED

and its wholly owned Subsidiary

## J. SPENCER TURNER CO. LIMITED

### CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 1964

	<u>1964</u>	<u>1963</u>
Profit for year before the following deductions	\$1,170,813	\$ 954,555
Depreciation .....	237,956	210,783
Contribution to employees' Pension and Retirement Fund .....	93,286	74,377
	<u>331,242</u>	<u>285,160</u>
Profit before income taxes .....	839,571	669,395
Income taxes (note 3) .....	404,000	303,000
Net profit for year .....	<u>\$ 435,571</u>	<u>\$ 366,395</u>

### CONSOLIDATED STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1964

	<u>1964</u>	<u>1963</u>
Balance at beginning of year .....	\$3,056,100	\$2,673,848
Add:		
Net profit for year .....	435,571	366,395
Reserve for contingencies restored to earned surplus .....		555,297
	<u>3,491,671</u>	<u>3,595,540</u>
Deduct:		
Dividends —		
Declared and paid during year .....	320,000	280,000
Declared December 17, 1964, payable February 15, 1965 .....	110,000	
Accumulated tax reductions arising in prior years .....		232,440
Provision for loss on investment .....		27,000
	<u>430,000</u>	<u>539,440</u>
Balance at end of year .....	<u>\$3,061,671</u>	<u>\$3,056,100</u>



## CONSOLIDATED BALANCE SH

(with comparative fi

## ASSETS

CURRENT:	1964	1963
Cash.....	\$ 440,811	\$ 154,222
Due from sale of equipment (since received) (note 1).....	1,125,000	
Investments in marketable securities — at cost (market value, \$118,750 in 1964; \$116,500 in 1963).....	121,563	121,563
Accounts receivable.....	1,083,198	859,485
Employees' savings bond purchases and advances.....	72,792	69,616
Inventories at the lower of cost or market (note 2).....	1,788,234	1,588,940
Advances for purchases of raw cotton.....	859,164	562,070
Prepaid expenses.....	76,667	62,542
Total current assets.....	5,567,429	3,418,438
INVESTMENT IN AND ADVANCES TO OTHER COMPANIES:		
North America Business Equipment Ltd —		
Shares — at cost.....	117,470	117,470
Advances.....	650,000	650,000
Technical Animations, Inc. —		
Shares — at cost less provision for losses.....	27,500	27,000
Advance.....	5,000	5,000
	799,970	799,470
FIXED (note 1): —		
Land, buildings and equipment at values ap- praised by Lockwood, Greene & Co. Inc. in 1926 plus subsequent additions at cost.....	5,931,638	6,247,257
Less accumulated depreciation.....	3,478,131	3,996,367
	2,453,507	2,250,890
	<u>\$8,820,906</u>	<u>\$6,468,798</u>



**L MILLS LIMITED**

Owned Subsidiary

**IER CO. LIMITED****AS AT DECEMBER 31, 1964**

at December 31, 1963]

**LIABILITIES**

CURRENT:	1964	1963
Bank indebtedness.....	\$2,021,122	\$1,110,000
Accounts payable and accrued charges.....	214,565	104,663
Pension fund contribution.....	93,286	74,377
Income and other taxes payable.....	145,893	118,775
Dividends payable.....	110,000	
Total current liabilities.....	2,584,866	1,407,815
DEFERRED PROFIT		
on sale of equipment (note 1).....	1,082,486	
ACCUMULATED TAX REDUCTIONS		
applicable to future years (note 3).....	407,000	320,000
SHAREHOLDERS' EQUITY:		
Capital stock —		
Authorized and issued:		
400,000 common shares without par value	1,684,883	1,684,883
Earned surplus .....	3,061,671	3,056,100
	4,746,554	4,740,983
On behalf of the Board:		
ALAN V. YOUNG, Director		
JOHN T. SCARLETT, Director		
	<u>\$8,820,906</u>	<u>\$6,468,798</u>

# COSMOS IMPERIAL MILLS LIMITED

and its wholly owned Subsidiary

## J. SPENCER TURNER CO. LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1964

#### (1) Fixed assets —

On December 31, 1964 the company sold certain equipment for \$1,125,000, the proceeds being received on January 6, 1965. This equipment has been leased to the company for a period of eight years commencing on December 31, 1964, at an annual rental of \$188,516 payable in equal monthly instalments. Upon expiry of the initial term the lease is renewable at the option of the company for eight successive terms of one year each at substantially reduced rentals.

The profit on the sale, \$1,082,486, will be taken into income on a straight-line basis over the initial term of the lease and is included in the accompanying balance sheet under the caption "Deferred profit on sale of equipment".

#### (2) Inventories —

Inventories consist of the following:	1964	1963
Raw materials . . . . .	\$ 704,122	\$ 423,834
Work in process . . . . .	307,117	332,552
Finished goods . . . . .	694,259	726,104
Factory supplies . . . . .	82,736	106,450
	<u>\$1,788,234</u>	<u>\$1,588,940</u>

#### (3) Income taxes —

As a result of claiming capital cost allowances for tax purposes in excess of recorded depreciation, income taxes payable will be less than the current year's provision by \$87,000 (1963 — \$33,300), and accordingly this amount is included in the balance sheet in the item "Accumulated tax reductions applicable to future years".

#### (4) Future capital expenditures —

The directors have approved future expenditures for new plant facilities aggregating \$960,000.

#### (5) Statutory information —

Profit from operations includes the following income and income deductions:

	1964	1963
Income:		
Income from investments . . . . .	\$ 3,625	\$ 3,625
Income deductions:		
Remuneration of executive officers and legal fees	85,214	79,170
Remuneration of directors not holding salaried employment with the companies . . . . .	4,400	4,400

# COSMOS IMPERIAL MILLS LIMITED

and its wholly owned Subsidiary

**J. SPENCER TURNER CO. LIMITED**

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1964

SOURCES OF FUNDS:	<u>1964</u>	<u>1963</u>
Operations —		
Net profit for year.....	\$ 435,571	\$ 366,395
Sundry income included in earned surplus		888
Charges not requiring cash outlays:		
Depreciation.....	237,956	210,783
Income taxes deferred to future years (note 3).....	87,000	33,300
	<u>760,527</u>	<u>611,366</u>
Deferred profit on sale of equipment (note 1).....	1,082,486	
Prior years' provision for income taxes, reclassified as "accumulated income tax reductions".....		54,260
	<u>1,843,013</u>	<u>665,626</u>
APPLICATION OF FUNDS:		
Purchase of fixed assets (net).....	440,573	120,880
Dividends to shareholders —		
paid during year.....	320,000	280,000
payable in 1965.....	110,000	
Purchase of long-term investments.....	500	104,000
Advances to other companies.....		230,000
	<u>871,073</u>	<u>734,880</u>
INCREASE (DECREASE) IN WORKING CAPITAL.....	<u>\$ 971,940</u>	<u>\$ (69,254)</u>

## DIRECTORS AND OFFICERS

### BOARD OF DIRECTORS

U. G. DAWSON	J. T. SCARLETT
C. S. FROST	R. N. STEINER
E. D. JAMES	ALAN V. YOUNG
WM. T. MAYO	DAVID M. YOUNG
WM. H. YOUNG	

### OFFICERS

ALAN V. YOUNG.....	Chairman of the Board and President
JOHN T. SCARLETT.....	Vice-President — Administration
E. DOUGLAS JAMES.....	Vice-President — Sales
D. M. CAIN.....	Vice-President — Manufacturing
R. A. CHISHOLM.....	Secretary-Treasurer

### BANKERS

The Bank of Nova Scotia  
Hamilton, Ontario

### TRANSFER AGENT

The Royal Trust Company  
Toronto, Ontario

### REGISTRAR

The Bankers' Trust Company  
Toronto, Ontario

### AUDITORS

Clarkson, Gordon & Co.  
Hamilton, Ontario





